

Message Text

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ACTION STR-04

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FM AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: ETRD, TW

SUBJECT: MOTOR VEHICLE DOMESTIC CONTENT REQUIREMENTS

REF: STATE 218027

1. THE REPUBLIC OF CHINA'S DOMESTIC CONTENT REGULATIONS FOR MOTOR VEHICLES ARE ESTABLISHED BY THE INDUSTRIAL DEVELOPMENT BUREAU (IDB) OF THE MINISTRY OF ECONOMIC AFFAIRS (MOEA). IDB REVIEWS REQUIREMENTS ANNUALLY ON A FISCAL YEAR BASIS AND MAKES ADJUSTMENTS IN KEEPING WITH CURRENT GROC POLICIES.

2. THE PURPOSE OF THESE REGULATIONS IS TO STIMULATE THE DOMESTIC MOTOR VEHICLE INDUSTRY. THEY APPLY TO ALL DOMESTIC MANUFACTURERS, INCLUDING FOREIGN INVESTORS. MOTOR VEHICLE IMPORTS ARE NOT AFFECTED. HOWEVER, THERE IS CURRENTLY A BAN ON THE IMPORTATION OF AUTOMOBILES AIMED PRIMARILY AT SMALLER JAPANESE MODELS.

3. THE BASIC CATEGORIES FOR DIFFERENT LOCAL CONTENT PERCENTAGES ARE DETERMINED BY GROSS VEHICLE WEIGHT (GVW). VEHICLES 3,500 KG. AND UNDER ARE CLASSIFIED AS LIGHT VEHICLES AND THOSE ABOVE 3,500 KG. ARE CLASSIFIED AS HEAVY VEHICLES. THE

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PREVAILING LOCAL CONTENT REGULATION FOR VEHICLES UNDER

3,500 KG. GVW IS 60 PERCENT BY VALUE. THE BASE VALUE IS THE FOB VALUE FOR THE VEHICLE IN THE SOURCE COUNTRY. THE MEANING OF "LOCAL" IS BROADLY INTERPRETED AS ANYTHING PRODUCED ON TAIWAN. LOCAL ASSEMBLY CHARGES, PAINTING AND INSPECTION ARE ALSO CONSIDERED AS PART OF LOCAL CONTENT.

4. THE LOCAL CONTENT FOR VEHICLES OVER 3,500 KG. GVW IS DETERMINED BY THE NUMBER OF UNITS PRODUCED. FROM 1-3,000 UNITS THE LOCAL CONTENT IS 32 PERCENT; 3,001-4,000 IS 37 PERCENT; AND, 4,001-5,000 IS 46 PERCENT. ABOVE 5,000 UNITS - THE PERCENTAGE HAS NOT BEEN DETERMINED AS YET. WITHIN THE 60 PERCENT LOCAL CONTENT, UP TO 20 PERCENT MAY BE SUBSTITUTED BY EXPORT CREDIT OF AUTO PARTS BY THE AUTO PLANT. THE PARTS FOR EXPORT NEED NOT NECESSARILY BE MADE BY THE AUTO PLANT. THE ACTUAL LOCAL CONTENT MAY GO AS LOW AS 40 PERCENT FOR VEHICLES UNDER 3,500 KG. GVW IF THE PLANT OBTAINS EXPORT CREDIT FOR AUTO PARTS. WHETHER THIS SUBSTITUTION MAY BE APPLIED TO VEHICLES ABOVE 3,500 GVW IS UNCERTAIN AT PRESENT BECAUSE NO PLANTS MANUFACTURING HEAVY VEHICLES NOW RECEIVE EXPORT CREDIT.
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